



Opening doors to a stronger and healthier South Asian community

February 16, 2021

Ann E. Misback
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Ave. NW
Washington DC, 20551
Via Email: regs.comments@federalreserve.gov

**RE: Docket No. R-1723; RIN 7100-AF94
CRA Proposed Rule Making**

To Whom It May Concern:

Raksha (meaning protection in several South Asian languages) is a Georgia based non-profit social service organization for the South Asian community, which includes immigrants from Bangladesh, Bhutan, India, Nepal, Pakistan and Sri Lanka. Raksha's mission is to promote a stronger and healthier South Asian community through confidential support services, education, and advocacy. Guided by values of consensus in decision-making, diversity in leadership, and the dignity and worth of every individual, Raksha strives to empower and serve the South Asian community. Since its establishment, *Raksha* has been inundated with calls from members of the South Asian community, most of who have been involved in family violence situations. Raksha provides a variety of services to immigrants and refugees, including individual and group counseling, career and employment related support, case management, advocacy and medical and legal referrals. Raksha also provides services to non-South Asians depending on what resources are available in the community.

As a nonprofit concerned with the economic well-being of low- and moderate-income (“LMI”) communities and communities of color, we are writing to comment on the Federal Reserve System’s (“Board”) advance notice of proposed rulemaking (“ANPR”) regarding the Community Reinvestment Act (“CRA”). While we are heartened by the Board’s interest and intent to modernize and strengthen the CRA, we believe that the CRA needs to be strengthened even further in order to address historic and present day racial discrimination and economic inequity. That is, the proposed CRA reform needs:

- Better incorporation of *Racial Justice* goals across the entirety of the implementation and enforcement of the CRA,
- Better *Data Collection*,
- Stronger and more rigorous *Ratings and Performance Measures*.

As the Board states in the ANPR, “Congress enacted the CRA... primarily to address economic challenges in predominantly minority urban neighborhoods that had suffered from decades of disinvestment and other inequities.” Our organization serves low-income communities of color and we know firsthand that our clients do not have fair and equitable access to capital and that our community still lacks sufficient investment in affordable housing, community services, community facilities, and in our small businesses. This current level of disinvestment in our community is part of the larger, systemic history of neglect and discrimination faced by communities of color across the country.

Therefore, consistent with the Board’s objective to “recognize that CRA and fair lending responsibilities are mutually reinforcing,” the Board should establish, as an explicit objective of CRA modernization, that financial institutions should increase bank lending, investing, and services in communities of color. Affirmatively increasing investments in and services to communities of color should be seen as a coequal, overlapping objective to increasing investment in LMI communities. All aspects of CRA compliance and, by extension, the Board’s proposals for CRA modernization, should be processed through this racial justice lens. The CRA should be a tool with which communities of color can hold financial institutions accountable.

In order to be able to do this, banks need to collect and report better data. There need to be more consistent and comprehensive standards for all data collected. For these reasons, we support the Board’s proposal to collect retail lending metrics for consumer loan data and home mortgage data for non-HMDA reporters. In addition to the metrics the Board proposes to collect, we urge that these data also include race. All lending data should, at the minimum, comply with HMDA guidance and be disaggregated by borrower race and major ethnic subgroups. In addition, for Community Development Financing and Services data, place and race data need to be better tracked and reported. Community Development loans and qualified investments need to be reported at the most detailed geographic level possible, (preferably census tracts; if tract data not available, then zip code; if zip code data not available, then county). For race based analysis under the Community Development Test, some assessment of service to communities of color should be able to be made based upon data about neighborhood benefited (e.g., based upon neighborhood demographics if tract or zip code data is available) or some qualitative data about the community development borrower or beneficiary (for e.g., a community development borrowing entity could be assessed about its mission, leadership, track record, or historic connection to a community).

With better data, more rigorous assessments of financial institutions can be conducted. Currently, 98% of banks pass their CRA exams. That is, even while our communities continue to be neglected, substantially everybody passes the CRA. This is a red flag and suggests that incentives and performance criteria are not aligned with the desired impact. In order to make evaluations more rigorous, we offer a set of principles which should be applied to CRA evaluations:

- *Account for Race:* Racial impact needs to be a central metric in evaluating CRA performance. Race should be incorporated into all aspects (i.e., retail lending, community development, etc.) of every exam, test, and subtest. And, the impact of all loans, investments, and services must be quantified and evaluated by race.
- *Don't Forget about Place:* While elevating race, place still matters. We support the Board's proposals to improve data collection regarding tracking community development financing and deposits by geography. With this data supplementing other economic and demographic analysis (e.g., race, poverty, and unemployment), the Board and other CRA regulators should identify underserved census tracts¹. When these tracts are within a financial institution's assessment area, the institution should be evaluated on the basis of what resources they provide to these places.
- *Incentivize Improvement:* Financial institutions should not be complacent with merely passing marks and should be encouraged towards a philosophy of continual improvement. For example, we do not agree with the Board's proposal to blend the ratings of "High Satisfactory" and "Low Satisfactory" to a single category of "Satisfactory." Identifying gradations of performance provides lagging banks more information about the areas in which they need to improve.
- *Do Not Accept Substantial Noncompliance:* We should never be satisfied with failure. Any bank receiving a mark of "Substantial Noncompliance" on a subtest should not receive a "Satisfactory" grade within the larger test assessment area. As a more specific example, referring to Table 7—Community Development Test Assessment Area Conclusions of the ANPR, a bank that receives a "Substantial Noncompliance" score on the Community Development Financing Subtest should at best receive an overall score of "Needs Improvement" even if it scores an "Outstanding" on the Community Development Services Subtest.

¹ See for e.g., <https://nrcr.org/nrcr-proposal-for-underserved-tracts-would-increase-lending-in-communities-of-color-by-billions-of-dollars/#:~:text=Executive%20Summary,these%20tracts%20are%20predominantly%20minority.>

In conclusion, we are encouraged that the Board's ANPR represents a sincere attempt to modernize the CRA while staying true to its legacy and purpose. However, while we endorse many of the Board's proposals, we strongly urge the Board to better account for race, to make evaluation more rigorous, and to incorporate more extensive data collection practices.

Sincerely,

A handwritten signature in black ink, appearing to read 'Aparna Bhattacharyya', written in a cursive style.

Aparna Bhattacharyya
Executive Director
Raksha, Inc